

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:462
ANSWERED ON:24.08.2001
RBI'S OBSERVATION ON GOVERNMENT FINANCES
PRAKASH V. PATIL

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that the Reserve Bank of India (RBI) has recently pointed out certain areas of concern regarding the stability and sustainability of Central Government finances;
- (b) if so, the details thereof; and
- (c) the corrective measures taken by the Government in this regard?

Answer

FINANCE MINISTER (SHRI YASHWANT SINHA)

- (a) to (c) A Statement is laid on the Table of the House.

Statement referred to in reply to Lok Sabha Starred Question No.462 for 24th August, 2001 by Shri Prakash V. Patil regarding 'RBI's Observation on Government Finances'

(a) & (b) The Reserve Bank of India in its monthly Bulletin for July 2001 in an article on 'Finances of Government of India: 2001-02' has observed 'The Budget has envisaged fresh impetus to fiscal consolidation. There are, however some areas of concern regarding stability and sustainability of Central Finances. First, the revenue base of the Centre continues to be weak with stagnation of revenue-GDP and tax-GDP ratios. ... Second, going by the past experience, any shortfall in the realisation of disinvestment receipts may put pressure on the fisc in achieving the deficit targets. Third, the gross market borrowings of the Centre has been persistently rising over the years.'

(c) The long-term sustainability of the fiscal policy rests upon the complete elimination of revenue deficit and containment of fiscal deficit within a manageable level. With a view to achieving fiscal consolidation, the Budget for 2001-02 emphasises expenditure management through the process of bringing about structural changes in the composition of Central Government expenditure, economy in non-plan revenue expenditure while improving the quality of expenditure. To this end the Budget contains a number of initiatives which among others include restricting fresh recruitment to one per cent of total civilian staff strength, revision in user charges for services provided by the government and its agencies keeping in view the increased cost of these services etc. Further, with a view to reducing interest burden, most administered interest rates were reduced by 1.5 per cent as of March 1, 2001. Besides, the Fiscal Responsibility and Budget Management Bill, 2000 was introduced in Parliament in December 2000. This Bill includes provisions relating to ceilings on debt, deficit and borrowing.